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PAGE 01 STATE 075135
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	NSCE-00	ARA-16	NSAE-00	L-03	DOE-10	PA-01	INRE-00
	SAL-01	OES-09	ACDA-12	ICAE-00	SP-02	SPRS-02	/142 R

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C O N F I D E N T I A L STATE 075135
FOR AMBASSADORS FROM ACTING SECRETARY STOESSEL
E.O. 12065: ADS 3/22/82 (STOESSEL, WALTER J.)
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PAGE 02 STATE 075135
TAGS: PARM, UNGA, AF, CB, LA, UR
SUBJECT: CW USE: PUBLIC AFFAIRS HANDLING OF SECRETARY HAIG'S REPORT TO CONGRESS
1. CONFIDENTIAL - ENTIRE TEXT.
2. ON MONDAY, MARCH 22, THE DEPARTMENT OF STATE, WILL RELEASE A MAJOR NEW REPORT TO THE CONGRESS ON CHEMICAL WARFARE IN SOUTHEAST ASIA AND AFGHANISTAN. THE REPORT WILL ALSO BE RELEASED TO THE PRESS THAT SAME DAY AND, AS REPORTED SEPTEL, TO THE UNITED NATIONS AND ALL MEMBER STATES.
3. THE KEY CONCLUSIONS OF THE REPORT ARE:
-- THAT SELECTED LAO AND VIETNAMESE FORCES, UNDER DIRECT SOVIET SUPERVISION, HAVE EMPLOYED LETHAL TRICHOTHECENE TOXINS AND OTHER COMBINATIONS OF CHEMICAL AGENTS

DECLASSIFIED EXCISE

Issues for the Early 80s

Regional Security Policy

[redacted]

Directions in the Middle East Peace Process

The Arab-Israeli dispute remains a principal focus of regional tension and source of continuing danger to Israel and to broader American interests in the area. Progress toward peace will be critical to our ability to pursue broader strategic objectives and to prevent erosion of our relations with oil producers in the Gulf. Progress toward peace may also be critical for the durability of the Israeli-Egyptian peace treaty and the survival of a moderate, pro-US regime in Egypt. Deep divisions in the Arab world caused by the Iran-Iraq war, the approach of Israeli elections, and the change of Administrations may provide some breathing space in determining US strategy for peace. Nevertheless, events on the ground may constrict the time

EXCISE

available for a policy review and our flexibility in choosing options.

The peace strategy of the last three years has registered a major achievement in the peace treaty between Egypt and Israel. The second phase of the Camp David process, negotiations on West Bank/Gaza autonomy, has lost momentum in recent months. Israel's present concept of Palestinian autonomy is considered inadequate by all Arabs, including Egypt and the Palestinians themselves. Nevertheless, both Israel and Egypt remain committed by treaty to the autonomy concept and it cannot be lightly set aside. Our close association with Israel -- and our responsibility in the eyes of the Arabs to move Israel to the decisions necessary to bring about a comprehensive settlement -- make a policy of disengagement from the issue unrealistic if we are to pursue our broader regional interests effectively. Our practical options boil down to two: to make a vigorous attempt to bring the present autonomy negotiations to a successful conclusion while Begin is still in office; or to put the autonomy negotiations on hold while we await the Israeli election and prepare the ground for negotiations with Jordan on the Palestinian issue, which may be more possible then.

Fostering Economic Interests

Our economic welfare and strategic interests might require adequate flow of Middle East oil at prices sustaining world economic health. As the industrial democracies move to less dependency on foreign oil, Middle East production and price decisions will continue to impact heavily on payments balances, and inflation and interest rates

We have a major commercial stake in the region -- some $16 billion in annual exports representing nearly 10% of our worldwide total, and some $10 billion in services. Massive capital inflows from the Middle East, reaching as high as $8 billion in peak years, help sustain our economy. The wealthier Middle East states now have nearly $300 billion in official foreign assets and contribute almost $6 billion per year in foreign aid.

Pursuit of American economic and commercial interests in Southwest Asia is integral to a balanced policy toward the region. Close economic and commercial ties with certain Middle East states have pulled them closer to the West strategically and politically and have provided a bedrock for maintaining relationships in times of political strain. At the same time, there are political factors -- ranging from Arab unhappiness with US Middle East policy to domestic pressures for legislation impacting on commerce -- which adversely affect the pursuit of American economic interests in the region.

[redacted]

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In the months ahead the US will face numerous economic policy decisions which will impact on our commercial position in the region and the quality of our economic relationship with key states there. One set of decisions will involve how our government will weigh promotion of foreign commerce against competing demands. These issues include -- Export-Import Bank funding levels and credit terms, taxation of Americans working abroad, trade restraints for foreign policy reasons including human rights and anti-terrorism policies, guidelines for compliance with the Foreign Corrupt Practices Act, and anti-boycott legislation. A second set of issues will impact on prospects for cooperation with wealthy Middle East oil producers, whose foreign investment and aid as well as oil price and production policies will be influenced by our progress in reducing dependence on imported oil, restraining inflation, maintaining stability of the dollar, providing them technology at home and attractive investment opportunities in this country, and helping the poorer countries with their payments and development problems. These issues must inevitably be addressed as the new Administration begins to develop a dialogue with Saudi Arabia on oil and other economic issues and formulates a position toward the broader question of a producer-consumer dialogue.

Afghanistan -- A Strategic and Regional Problem

The Soviet invasion of Afghanistan reflects a dangerous new pattern of behavior and constitutes a specific threat to Pakistan, Iran and the Gulf. The present US strategy toward Afghanistan involves both global and regional responses. Broadly, the US has sought, in cooperation with our allies, the Islamic Conference and others, to impose political and economic costs on the Soviets, both as a deterrent to future Soviet actions and to encourage a Soviet decision to seek a political solution in Afghanistan, which would include complete withdrawal of their forces. Our allies have cooperated unenthusiastically in additional restrictions on exports of high technology goods to the Soviets. Only the US grain embargo imposes significant costs on the Soviets. Politically, the Soviet invasion has been condemned by the Islamic Conference and by the General Assembly. The Soviets' relations with the Islamic and Third World have suffered but not to the point of inducing reconsideration of their position on Afghanistan.

Efforts to bolster Pakistan have included substantial assistance for Afghan refugees in Pakistan, an offer of economic assistance and military sales credits, as well as reiteration of the 1959 bilateral agreement which calls for consultation on appropriate joint action in the event of an external communist threat to Pakistan. Efforts to increase world-wide economic assistance to Pakistan were partially successful, and Saudi Arabia has promised but not yet delivered substantial assistance.

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[redacted] B1, A5

Nuclear Non-Proliferation Policy in NEA

There are four problem countries in the region -- India, Pakistan, Iraq and Israel -- with others such as Libya, Egypt and Iran exhibiting some long-term interest in nuclear capability. India has a nuclear explosives capability, but no weapons program; [redacted] B1, A5 Pakistan is developing an explosives capability based on both enrichment and reprocessing technology and might be able to explode a device as early as 12-18 months hence; Iraq, with equipment, technology and training purchased or on order from France and Italy, is seeking to establish an independent nuclear fuel cycle which would give it a base for development of an explosives capability. Libya, Egypt and Iran do not have dangerous programs in place at present, but their motivation to do so will be greatly strengthened if nuclear explosives capability spreads in the area.

Legislative restrictions on nuclear exports, punitive legislation cutting off assistance to Pakistan and agreements with other suppliers on export controls have not affected the intentions or motivations of determined governments to develop this capability, but in some cases have slowed down their programs. Such restrictions and controls have greater impact on those countries whose nuclear programs are not far advanced.

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NEAR EAST and SOUTH ASIA Overview

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Drafted:

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TO MEANINGFUL PROGRESS TOWARD SUCH A CONVENTION.
MOREOVER, EVIDENCE OF SOVIET FAILURE TO COMPLY WITH
EXISTING INTERNATIONAL CONSTRAINTS ON CHEMICAL AND
BIOLOGICAL WEAPONS COMPLICATE THIS PROCESS FURTHER.
IT ALSO MAKES CLEAR THAT INCLUSION OF STRICT AND
EFFECTIVE VERIFICATION ARRANGEMENTS IN A MULTI-
LATERAL CW CONVENTION IS ESSENTIAL.
NEVERTHELESS, THE U.S. REMAINS COMMITTED TO THE
GOAL OF CONCLUDING A COMPLETE, EFFECTIVE, AND VERIFI-
ABLE PROHIBITION OF THE DEVELOPMENT, PRODUCTION AND
STOCKPILING OF CHEMICAL WEAPONS; AND TO THIS END, THE
US IS ACTTVELY PARTICIPATING TN THE WORK OF THE 40-
NATION COMMITTEE ON DISARMAMENT, NOW MEETING IN GENEVA,
ON THE ELABORATION OF SUCH A CONVENTION.
QUESTION: ISN'T THIS ALL JUST A PROPAGANDA CAMPAIGN
DESIGNED TO PROVIDE JUSTIFICATION FOR THE U.S.
DECISION TO RESUME PRODUCTION OF NERVE GAS?
ANSWER: THE U.S. DECISION TO MODERNIZE ITS CHEMICAL
WEAPONS DETERRENT RETALIATORY CAPABILITY WAS NOT TAKEN
IN RESPONSE TO REPORTS OF CHEMICAL WEAPONS USE. THE
'.S. FIRST EXPRESSED CONCERN ABOUT REPORTS OF CHEMICAL
WEAPONS USE IN SOUTHEAST ASIA IN 1978, AND IN AFGHAN-
STAN IN EARLY 1980. THE U.S. MADE THESE CONCERNS KNOWN
PUBLICLY OVER TWO YEARS AGO UNDER A DIFFERENT ADMINI-
STRATION, WITH A DIFFERENT DEFENSE POLICY. SINCE THEN,
OTHER GOVERNMENTS AND INDEPENDENT OBSERVERS HAVE ALSO
EXPRESSED CONCERN, AND HAVE THEMSELVES UNCOVERED
EVIDENCE THAT CHEMICAL AND TOXIN WEAPONS ARE BEING
USED.
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IT IS LONG ESTABLISHED U.S. POLICY TO MAINTAIN A
RETALIATORY CHEMICAL WEAPONS CAPABILITY, DESIGNED TO
DETER THE USE OF CHEMICAL WEAPONS AGAINST THE U.S. AND
ITS ALLIES. GIVEN THE SUBSTANTIAL SOVIET CAPABILITIES
IN THIS AREA, AND SOVIET UNWILLINGNESS TO NEGOTIATE AN
EFFECTIVE AND VERIFIABLE BAN ON CHEMICAL WEAPONS, THE
U.S. CONSIDERED IT NECESSARY TO PROCEED WITH STEPS TO
MODERNIZE ITS CHEMICAL WEAPONS DETERRENT RETALIATORY
CAPABILITIES IN ORDER TO MAINTAIN A VIABLE DETERRENT,
AND TO INCREASE THE INCENTIVES FOR THE SOVIETS TO WORK
SERIOUSLY TOWARD CONCLUDING A COMPLETE, EFFECTIVE AND
VERIFIABLE PROHIBITION OF CHEMICAL WEAPONS.
QUESTION: ISN'T THE U.S. BEING SOMEWHAT HYPOCRITICAL
ON THE USE OF CHEMICAL WEAPONS, GIVEN THE FACT THAT
THE U.S. ITSELF USED CHEMICAL WEAPONS DURING THE
VIETNAM WAR?
ANSWER: NO. AT NO TIME DURING THE VIETNAM WAR DID
THE U.S. USE LETHAL OR INCAPACITANT CHEMICAL WARFARE
AGENTS. AND THE U.S. HAS NEVER R E P E A T NEVER